McFadden Bill Will Aid Agriculture and Prevent Panics.

EXTENSION OF REMARKS

OF

HON. HOMER P. SNYDER,

OF NEW YORK,

IN THE HOUSE OF REPRESENTATIVES,

Wednesday, March 31, 1920.

Mr. SNYDER. Mr. Speaker, the McFadden rural credit bill, H. R. 12678, will aid agriculture by reducing farm-production costs and tend greatly to prevent panics by creating liquid paper for our insurance companies and thereby relieve them from throwing their permanent investments on the market during a crisis to meet their banking obligations.

A quarter of a century ago obligations of our life insurance companies were deferred for years in the future and payable upon a contingency—the death of their members—which operated with a uniformity approaching the fixed law of gravity. Massachusetts was the first State to enact a so-called "cash-surrender value policy law," a law requiring the companies created by that State and others operating therein to issue policies giving an option to the insured to surrender their policies for cash. That law was enacted in 1880, and Maine soon thereafter enacted the same law, but such important insurance States as New York, Pennsylvania, Connecticut, and New Jersey declined to follow those two States in that matter, and the big companies, while forced to obey that law in those two jurisdictions, refused to apply it in other States in which they did business.

It was not until the year 1896 that the "yearly guaranteed cash surrender value policy" became universal throughout the United States. In the summer of 1895 the Equitable of New York announced its intention to adopt such policy throughout

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the world in which it operated at that time, and it put its actuaries to work compiling data and making calculations for the issuance of such policy. The insurance press, from time to time, made mention of the Equitable's progress on the proposed new policy, until in the spring of 1896, when the New York Life announced it had actually placed in the hands of its agents sample policies and rate books containing all information as to the new policy. The Equitable then publicly charged the New York Life with having surreptitiously gotten possession of the data and calculations its actuaries had been laboring on for more than six months. It was but a few days until the Equitable placed sample policies and rate books in the hands of its agents, and when we consider that those rate books contained some 50,000 different calculations and were identical, one must conclude the two companies had access to the same data.

The New York Life ignored the charge of bad faith made against it by the Equitable and directed its energies to the sale of the new policy, which took like wildfire. Some of the more conservative men in control of the other companies condemned the new policy in unmeasured terms and made dire predictions as to the injurious effect it would have on the business, and refused to issue the policy. It may be of interest to observe that at that time there was in control of those two companies two most forceful characters, men possessed of great driving power and organizing ability, whose activities had been directed solely to the production of new business, and they produced it in such volume as to astound the insurance world of that day. One of those men was Henry B. Hyde, the founder of the Equitable, and the other was George W. Perkins, a young westerner who had so demonstrated his ability as a producer of new business for the New York Life that he was called to the home office and placed at the head of its agency department, a position he occupied but a short while until he became the dominant factor in control of the company. Neither was an economist; in fact, both were too busy at the production end to give any thought to the economic principles underlying that business, yet they are the men who are responsible for placing our life insurance com-

panies in the banking business. The more conservative men had to swallow their pride and fall into line or else lose out in the mad race for new business. During the commercial and industrial inactivities of 1913 the demands for cash under the "cash surrender value policies" became so great that the Association of Life Insurance Presidents, an association composed of the presidents of all the large companies, issued an appeal to their policyholders through the press of January 18, 1914, urging them to desist in their applications for cash values.

So much for the history of the so-called "cash-surrender value policy" which put life insurance in the banking business. As Members of Congress we have no authority to legislate as to what this or that corporation created by the States shall do or refrain from doing. But we know that any corporation which assumes a banking obligation must cover its borrowed capital with liquid assets, assets representing production, and unless it does so it will be forced to throw its permanent investments on the market during a crisis and thus precipitate a panic. While we have no power to prohibit those companies from writing such policy, we do possess the power to create fiscal agents for the Federal Government which in turn can create a form of liquid assets which will meet the banking obligations of those State institutions, and public sentiment, the best of all laws, will force those companies to carry such paper as will maintain their solvency. I therefore heartily approve the McFadden rural credit bill, which will not only aid in the production of agriculture but will become an important factor in improving our whole credit system.

I am in receipt of a letter from Mr. R. M. Gow, secretary of the American Jersey Cattle Club, inclosing a copy of his letter to the Hon. Edwin T. Meredith, Secretary of Agriculture, indorsing the McFadden bill. Mr. Gow came to this country from Scotland when a lad, and soon after his arrival became associated with that cattle club, and by patient industry and devotion to its interests he was rewarded with its secretaryship, a position he has filled for 31 years. He possesses the trait of mastering the details of an intricate financial problem so char-

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acteristic of his countrymen that I ask to have his letter read. It follows:

THE AMERICAN JERSEY CATTLE CLUB,
R. M. GOW, SECRETARY,
324 West Twenty-third Street, New York City, March 10, 1920.

Hon. EDWIN T. MEREDITH,
Secretary of Agriculture, Washington, D. C.

DEAR SIR: Congressman LOUIS T. MCFADDEN has requested my attention to his bill to establish a system of rural credits, known as H. R. 12678. I have read the bill and also Mr. MCFADDEN'S speech in the House of Representatives.

It seems to me that this bill is designed to meet a real want of the rural industries in the United States, and as I believe that the welfare, contentment, and general prosperity of our rural population is of vital importance to the country I think the bill should receive very careful and favorable consideration, with a view to its ultimate passage. As a similar system of personal credits has been found very useful and very successful in various European countries, I see no reason why it should not be put in operation in this country with equally beneficial results.

I hope that upon examination of this bill, if, indeed, you have not already considered it, you will share these views, and that you will use the influence of your high office in bringing the bill up for early consideration by Congress and enlisting cooperation in this by all the means at your disposal through the Department of Agriculture.

Very truly, yours,

R. M. Gow.

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